



HUD Section 108
Capital Pool for Large Projects
City Council Briefing

Peter Chapman, DCM

June 28, 2016

Background

- Council passed a resolution in 2015 authorizing the City to apply for federal Section 108 capital.
- City of Norfolk applied for and received a **\$19 million investment** (Section 108 capital) from the U.S. Department of Housing & Urban Development for larger economic development projects.

Form and Correctness Approved: *[Signature]*
By: *[Signature]*
Office of the City Attorney

Form CCO-005
Contents Approved: *[Signature]*
By: *[Signature]*
DECD

NORFOLK, VIRGINIA

Resolution

A RESOLUTION AUTHORIZING THE APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR A SECTION 108 ECONOMIC DEVELOPMENT LOAN FUND GUARANTEE OF UP TO APPROXIMATELY \$19,000,000.

WHEREAS, Section 108 of the Housing and Community Development Act of 1974 provides long-term, low-cost, flexible capital for eligible community and economic development projects in Community Development Block Grant (CDBG) entitlement localities; and

WHEREAS, many CDBG entitlement localities have chosen to establish economic development loan pools with Section 108 loan guarantee; and

WHEREAS, the U.S. Department of Housing and Urban Development has determined that the Section 108 loan guarantee program has leveraged \$3 in private capital for every dollar of federal funds invested, and that the program has helped create or retain over 200,000 jobs; and

WHEREAS, entitlement localities such as the City of Norfolk have borrowing capacity up to five times their annual CDBG allocation under the Section 108 loan guarantee program; and

What is the Section 108 Program and How Does it Work?

- Program made available to mid-sized and larger cities to support infrastructure and economic development projects of scale.
- The more common use of 108 is public improvements backed solely by Community Development Block Grant dollars...by contrast, Norfolk is employing the development banking model, which entails utilizing the program to support privately sponsored projects secured by third-party collateral. For example:
 - Affordable/mixed-income housing rehab
 - Commercial/office/industrial
 - Non-profit facilities
 - Working capital/other types of support for operating businesses
- Operating through the local Economic Development Authority (EDA), the City will use the funds to establish a “revolving” catalytic projects fund to provide senior and gap financing for various types of brick-and-mortar transactions as well as loans to businesses.



The City's Section 108 Program is the Latest Access to Capital Program

INNOVATION
FUND

CITYWIDE
PARTNERSHIP
FUND

GROW
NORFOLK
FUND

GLOBAL
INITIATIVES
FUND

NORFOLK**FIRST**
FUNDS

INNOVATIVE ACCESS TO CAPITAL PROGRAMS





Example of Progress to Date

American Planning Association Awards Norfolk 2016 Excellence in Economic Development Award

Global Initiatives Fund: "boldness in taking up global topic at the local level"

"The City of Norfolk has gained national attention as the first city in Virginia and the United States to provide a fund for local companies to utilize in expanding their overseas export capabilities. The American Planning Association (APA) Economic Development Division Award, known as The Donald E. Hunter Award, recognizes excellence in economic development planning...."



Section 108 Financing Basic Terms

Maximum Investment:	Up to \$5,000,000
Minimum Investment:	As low as \$500,000
Non-refundable Loan Application Fee:	\$500
Interest Rates:	Low fixed and variable rates

Eligible Loan Purposes: Property and land acquisition; Infrastructure costs; Construction; Rehabilitation; Machinery & Equipment financing; Expansion costs; other qualifying uses that comply with Federal guidelines

Terms: Loan terms will range from 2 years up to 20 years depending on the nature of the project and the use of funds

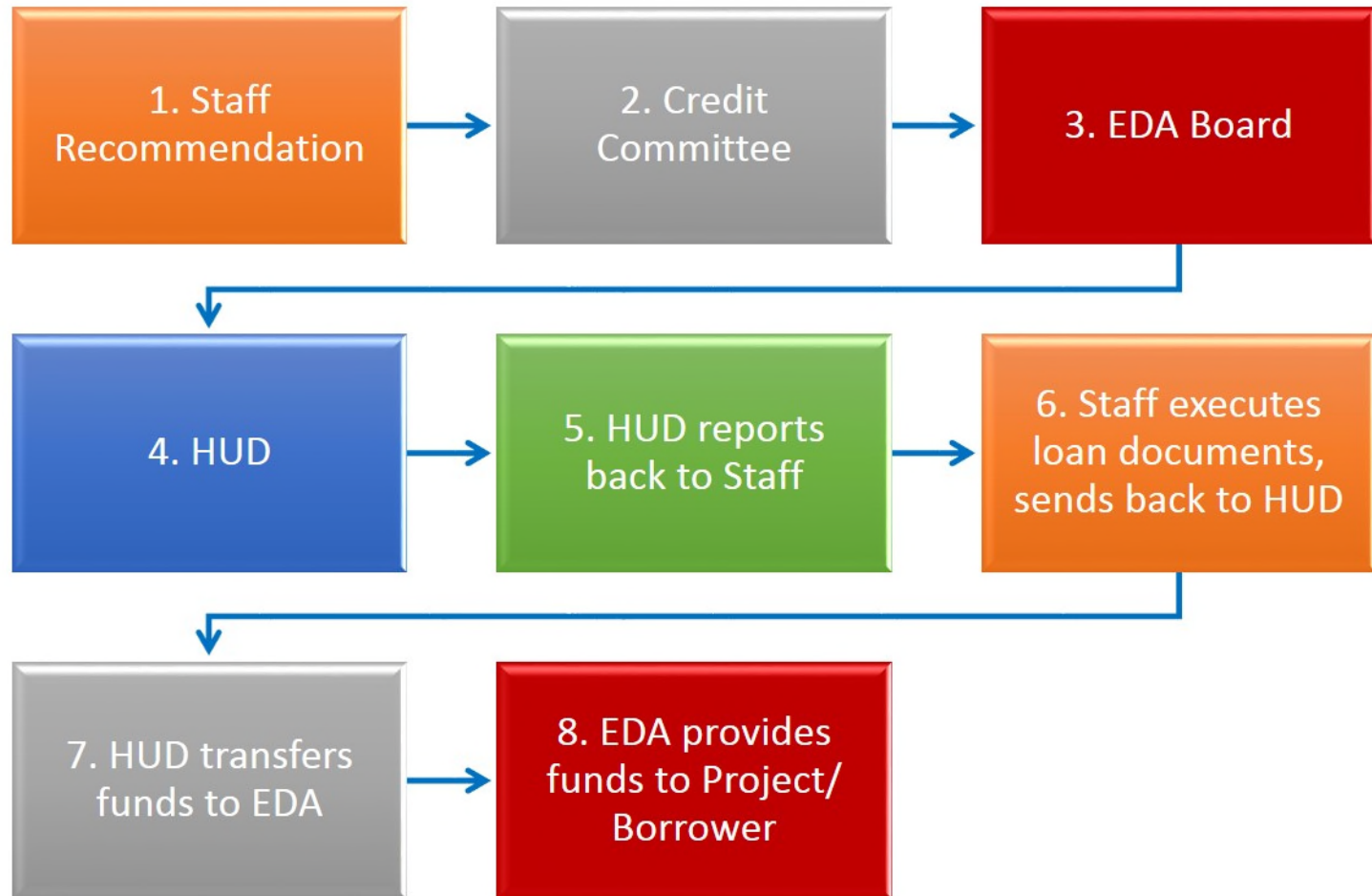
Eligible Loan Purposes: Real estate development related costs associated with large-scale construction projects with substantial job-creation potential

Eligibility:

- Applicant must be able to demonstrate that the project meets federal guidelines
- Applicant must have all business licenses and be located in the City of Norfolk
- Applicant and/or owner may not have delinquent taxes or tax liens
- Applicant must have financial statements and cash flow projections that demonstrate sufficient revenue to service all related debt
- Applicant must provide adequate collateral and guarantees of all owners to secure the loan
- Applicant/borrower must be a legal U.S. citizen or have long-term alien residency status. In addition, no loans can be made to individuals and/or businesses included on the Office of Foreign Assets Control Sanctions List
- Applicants must not have any outstanding loans with the Norfolk EDA
- Applicants must submit a completed application and provide supporting documentation requested in the Application Checklist



City/EDA Underwriting and Approval Process



Geographic Focus: Fourteen Priority Development Areas

Areas with Large Development Sites

- Broad Creek
- Central Business Park
- Downtown
- East Ocean View
- Hampton Boulevard
- Little Creek
- Military Circle
- Church Street Triangle
- Fort Norfolk
- Newtown Road
- Saint Paul's
- Southside
- Tidewater Drive South
- Wards Corner



Geographic Focus (cont.): Six Neighborhood Commercial Districts

- Berkley/ South Main Street
- Chelsea
- Downtown Arts District
- Five Points
- Ocean View Avenue
- Park Place/ 35th Street

Targeted Business Sectors

- Healthcare/Life Sciences
- Maritime/Supply Chain
- Defense/Cybersecurity
- Innovation/ Technology/
Manufacturing
- Headquarters
- Policy Associations
- Creative/Artisanal/Film
- Retail
- Renewable Energy/Resiliency



Highlights of Section 108 Economic Development Promising Practices from Around the Country



Armory's \$13M transformation begins

BRANDY BRUBAKER SEPTEMBER 3, 2014 2



The Leigh Street Armory, a significant landmark in Richmond's African American history, will be renovated to house the Black History Museum. *Photos by Brandy Brubaker.*



Workers carefully removed and numbered each of the armory's windows on Tuesday. The museum has opted to restore the windows instead of replacing them to maintain the building's historic character.

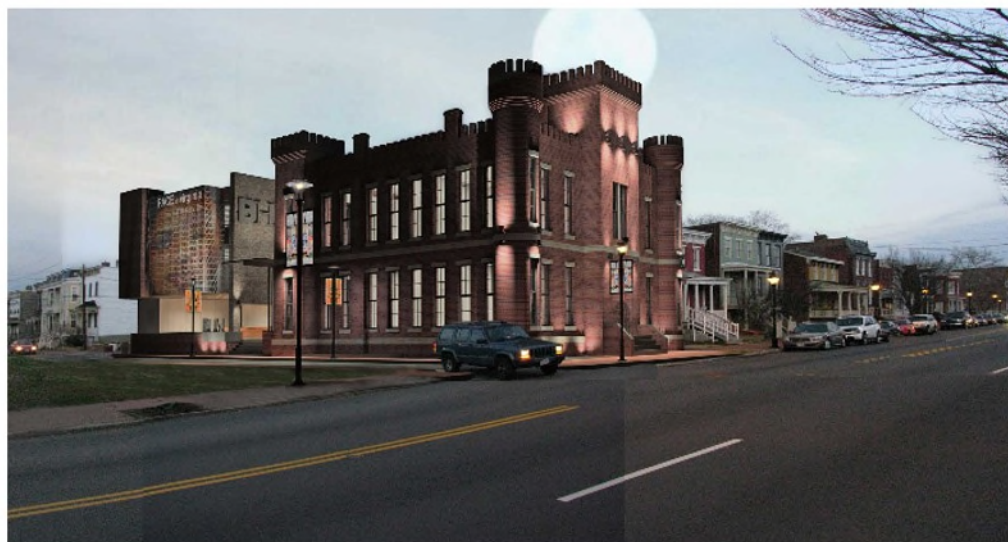
Construction is a go at a local museum's future home.

The historic Leigh Street Armory in Jackson Ward is being transformed into the new Black History Museum and Cultural Center of Virginia. Work on the property officially kicked off Tuesday.

The museum hired developer The M Cos. and Emerge Construction Group for the project that is expected to take about 11 months.

The work includes stabilizing and modernizing the nearly 120-year-old building, restoring original windows, reducing lead and asbestos hazards, plastering and painting walls, and expanding the structure several thousand square feet.

Black History Museum Renovations in Full Swing!



Read the full NBC 12 story about the Black History Museum renovations here:

<http://www.nbc12.com/story/27317911/richmond-black-history-museum-renovation-in-full-swing#.VFzndG548tQ.link>

Posted on November 7, 2014 in Armory on Leigh St, News

Recent Posts

Finding Your Legacy
Tobacco Burning Film Premiere
The Whipping Man

Categories

Armory on Leigh St
Education
Events
News
Stories

Archives

February 2015
January 2015
December 2014
November 2014
September 2014
July 2014
June 2014
May 2014
April 2014
May 2013

Economic Opportunities

Golden Springs Industrial Park

Santa Fe Springs/Los Angeles County, CA

Project Profile

SNAPSHOT

Activity Type – Economic development

Beneficiaries – Job seekers – created over 4,500 jobs, including more than 711 filled by low- and moderate-income persons

Project Total – \$184 million

CDBG Funds – \$20 million Section 108 Loan

Leverage Ratio – 1:8

Key Result – Unused property was remediated and redeveloped, bringing new economic life to Santa Fe Springs.

Words of Advice – Develop strong partnership relationships to achieve mutual goals.

More Information – www.lacdc.org



Abandoned oil refinery



Site today

PLACE

Located just east of Los Angeles, Santa Fe Springs is a "working city" with a population of 17,000 that swells to 100,000 on weekdays with the influx of employees for the city's many industries.

PEOPLE

The Golden Springs Development project created over 4,500 jobs at the formerly abandoned site, including 711 jobs for low- and moderate-income applicants, as required by the Section 108 Loan and EDI and BEDI grant commitments.

PROJECT

A closed and contaminated oil refinery was redeveloped into a 265-acre Class A industrial park, with 4 million square feet in 22 buildings. The development includes retail and public art components. A Section 108 Loan and EDI and BEDI grants were used for acquisition and environmental remediation, which allowed Phase III of the development to happen.

PARTNERS

Los Angeles County, the entitlement community, provided a Section 108 Loan through its Community Development Commission. They worked in partnership with the City of Santa Fe Springs, one of the LA Urban County's 48 participating cities, which contributed \$8 million. The developer invested \$156 million and continues to own and operate the fully occupied business park.

Community Development Block Grant (CDBG)

Serving Low- and Moderate-Income Persons and Neighborhoods in the U.S.



Clock Tower Lofts, Denver, CO

- Warehouse Conversion into 51-unit Rental Housing and Office Building
- Anchored Denver's Ballpark Area Revitalization
- Complements the Coors Field MLB Stadium Project
- Received \$3 million in Section 108 Financing



Next Steps

- Continue outreach efforts to build a robust pipeline of potential projects.
- Execute contract with HUD.

No Council action required at this time.